

Name _____ Date _____ Period _____

Credit
Ch 32 Sec 2 Credit

Credit and Its Importance

•Credit allows businesses or individuals to _____ in exchange for a promise to _____

•The use of credit is essential in our economy

Consumer Credit

•Companies who offer credit to consumers, such as _____, _____ and oil companies, typically issue credit cards.

•Cards are issued with a *credit* _____ based upon customers' _____ and their payment _____.

Bank Credit Cards

- _____ and their subsidiaries
- _____

sponsor bank credit cards but do not issue them directly

•An _____ (a _____ of credit sales to the company collecting the money from the customer) _____

•After the card sales are processed, the _____

Store and Gasoline Credit Cards

•Known as _____

•Usually do not have an annual fee but have _____

•The individual company handles the _____

Travel and Entertainment Cards

• _____, Discover, and Diners Club

•These companies may require payments to be _____ each month

- They may charge a _____ to retailers so some businesses may not accept these cards

Rebate Cards

- Offer some type of _____ to use them
- Frequently _____ and offer rewards in cash or airline miles
- Some use the card for convenience, pay the balance every month, then earn the reward

Affinity Cards

- Issued by banks to show your _____ to a particular sports team, university, charity, or other organization
- The issuer gives a small _____ (less than 1%) of the interest toward the organization

Debit Cards

- _____ credit cards
- Allow funds to be withdrawn _____ and applied to the place of purchase.

Secured and Unsecured Loans

- _____ are also a form of credit
- In _____, something of _____, such as property, motor vehicles, machinery, or merchandise is _____, or security.
- _____ do not require any security; they rely on the excellent credit _____ of the borrower.

Types of Accounts

- _____ allow customers to charge, then pay the balance in full within 30 days
- _____ allow for payment over a period of time

- _____ – the minimum payment is usually a certain percentage on the balance owed or a minimum dollar amount, such as \$15.
- _____ allow for payment over a certain time period without a finance charge – Example: interest-free for 90 days

Business Credit

- _____ to consumer credit but does not involve the use of credit cards
- _____ are frequently offered to businesses that promptly pay their bills

Legislation Affecting Credit

- _____ of 1968– requires lenders to disclose annual percentage rates and the amount financed
- _____ of 1971 – requires that a lender report the name and address of the credit bureau used to deny credit. Also gives consumers the opportunity to check their credit histories for errors
- _____ of 1975 and 1977 – set guidelines for review of applications for credit and prohibit discrimination based upon age, gender, race, religion, or marital status
- _____ of 1980 -- prevents businesses from harassing or abusing bad-debt customers
- _____ of 1988 – requires card issuers to provide information about card costs.